

ORIGINAL

ORIGINAL

**BELLSOUTH**

Robert T. Blau, Ph.D, CFA  
Vice President - Executive and  
Federal Regulatory Affairs

Suite 900  
1133-21st Street, N.W.  
Washington, D.C. 20036-3351  
202 463-4108  
Fax: 202 463-4631

EX PARTE OR LATE FILED

December 3, 1999

EX PARTE

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
The Portals  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

RECEIVED  
DEC 3 1999  
FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Re: CC Docket No. 98-121

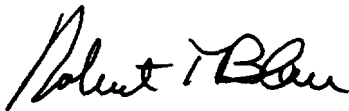
Dear Ms. Salas:

On December 3, 1999, Sid Boren, Randy New, Bill Stacy and I, representing BellSouth, met with Common Carrier Bureau Chief Lawrence E. Strickling and members of his staff. Bureau staff attending the meeting included William Bailey, Claire Blue, and Jake Jennings.

During this meeting the participants discussed performance measurements, enforcement mechanisms and penalties relating to the Voluntary Self-Effectuating Enforcement Mechanisms (VSEEMS III) proposal that BellSouth initially presented to the Commission staff in a written ex parte filed on April 9, 1999. A copy of additional information presented during today's meeting is attached.

In accordance with Section 1.1206, I am filing two copies of this notice for placement in the record of the proceeding identified above.

Sincerely,



Attachment

cc: Lawrence E. Strickling  
William Bailey  
Claire Blue  
Jake Jennings

No. of Copies rec'd 04  
List ABCDE

**BLS Proposal  
on  
Voluntary Self Effectuating  
Enforcement Mechanisms  
(VSEEM III)**

**FCC Ex-Parte  
12-30-99**

# Voluntary Self Enforcing Remedies

## Multi-Tiered Structure

- **Tier 1 Enforcement Mechanisms**
  - Payments (liquidated damages) directly to the CLEC
  - Triggered by one month of significantly poor performance
- **Tier 2 Enforcement Mechanisms**
  - Fines paid directly to the state Commission or their designated agency
  - Triggered by significantly poor performance by quarter
- **Tier 3 Enforcement Mechanisms**
  - Voluntary suspension of additional marketing and sales of LD services
  - Triggered by excessive repeat failures (a “tripwire”)

# Voluntary Self Enforcing Remedies

## Background

- How BLS's plan compares
  - Less complex, fewer metrics than BA-NY or SBC-TX
  - Proportionally same \$\$ at risk (per access line basis)
  - BLS statistical method corrects significant flaws in BA-NY and SBC-TX plans
  - No “forgiveness” plan or offsetting credits

# Voluntary Self Enforcing Remedies

## Individual CLECs and CLEC industry

- Tier 1 (Liquidated Damages)
  - Monthly Assessment at State Level for Individual CLEC
    - State level evaluation is consistent with test statistic
    - State level evaluation takes 'random variation' into consideration
    - State level evaluation will not mask discrimination
  - Parity gap will result in payment to the CLEC operating in negative like-to-like cells (wire center/service)
- Tier 2 (Fines Paid to State)
  - Quarterly Assessment at State Level for CLEC Aggregate
- Tier 3 (suspension of LD authority)
  - Selected sub-measures (12) at the state level.
  - Triggered by repeated failures of the same 5 or more sub-measures for a quarter.

# Enforcement Mechanism (Measurements / Tiers / Retail Analogue or Benchmark)

		VSEEM III						
Process	Measures	Resale POTS	Resale Design	UNE Loop & Port Combo	UNE Loops	IC Trunks	LNP	Other
<b>Pre-Ordering</b>	Percent Response Received within "X" sec							Tier-2 (B)
	OS Interface Availability							Tier-2 (RA)
<b>Ordering</b>	Order Process Percent Flow-Through							Tier-2 (B)
	FOC Timeliness (Mechanized only)							Tier-1 (B)
<b>Provisioning</b>	Average Reject Interval (Mechanized only)							Tier-1 (B)
	Order Completion Interval (Dispatch Only)	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (RA)		Tier-1 and Tier-2 (RA)		
<b>Maintenance</b>	Percent Installations Completed within "X" Days				Tier-1 and Tier-2 (B)			
	Percent Missed Installation Appointments	Tier-1, -2 and -3 (RA)	Tier-1, -2 and -3 (RA)	Tier-1, -2 and -3 (RA)	Tier-1, -2 and -3 (B)			
<b>Billing</b>	Percent Provisioning Troubles within 4 Days of Installation	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (B)			
	Customer Trouble Report Rate	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (B)			
<b>Usage Data</b>	Percent Missed Repair Appointments	Tier-1, -2 and -3 (RA)	Tier-1, -2 and -3 (RA)	Tier-1, -2 and -3 (RA)	Tier-1, -2 and -3 (B)			
	Maintenance Average Duration	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (B)	Tier-1 and Tier-2 (RA)		
<b>Trunk Blockage</b>	Percent Repeat Troubles within 30 days	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (RA)	Tier-1 and Tier-2 (B)			
	Billing Accuracy							Tier-2 and Tier-3 (RA)
<b>LNP</b>	Billing Timeliness							Tier-2 and Tier-3 (RA)
	Usage Data Delivery Timeliness							Tier-2 (RA)
<b>Collocation</b>	Usage Data Delivery Accuracy							Tier-2 (RA)
	Percent Trunk Blockage					Tier-1, -2 and -3 (RA)		
<b>CCQ</b>	Disconnected Timeliness						Tier-1 and Tier-2 (B)	
	Percent Missed Installation Appointment						Tier-1 and Tier-2 (B)	
<b>Coordination</b>	Coordinated Customer Conversions				Tier-1 and Tier-2 (B)		Tier-1 and Tier-2 (B)	
	Percent Missed Collocation Due Dates							Tier-1, -2 and -3 (B)

LEGEND: RA= Retail Analogue, B= Benchmark

December 3, 1999

BellSouth / FCC exparte

# Voluntary Self Enforcement Remedies

## TIER-3

### EXCESSIVE PROCESS PERFORMANCE FAILURES

- Selected sub-measures (12) at the State Level
- Failures of the same 5 or more sub-measures for a quarter

#### EXAMPLE:

Process	Measures	TIER-3 FAILURE X = Miss			NOT A TIER-3 FAILURE X = Miss		
		Month 1	Month 2	Month 3	Month 1	Month 2	Month 3
Percent Missed Installation Appointments	Resale POTS	X	X	X	X		
	Resale Design	X			X	X	X
	UNE Loop & Port Combo		X				
	UNE Loops	X	X	X			
Percent Missed Repair Appointments	Resale POTS	X	X	X	X		X
	Resale Design		X	X		X	
	UNE Loop & Port Combo					X	X
	UNE Loops				X		
Billing	Billing Accuracy	X	X	X			
	Billing Timeliness				X	X	X
Trunk Blockage	Percent Trunk Blockage	X	X	X			
Collocation	Percent Missed Collocation Due Dates						

# Voluntary Self Enforcement Remedy Plan

- PERFORMANCE STANDARDS
  - Parity for analogous products, processes, service
  - Benchmark where no analogues exist
- DETECT POTENTIAL DISCRIMINATION
  - Overall Test Statistic (Truncated Z) Computed to ensure Type I and Type II Errors are balanced
  - Minimizes concern around random variation while not masking discrimination
- PAYMENTS
  - Made at the cell level (Cells test similar products at the wire center level to get Like - to - Like samples - concept approved by FCC statisticians)
- ESCALATING REMEDIES
  - Magnitude of Failure - Addressed utilizing the z-value and balancing critical value. The further z deviates from the balancing critical value, the higher the penalty that is paid.
  - Repeat Failures
    - VSEEM fee schedule increases month-over-month if failures repeat

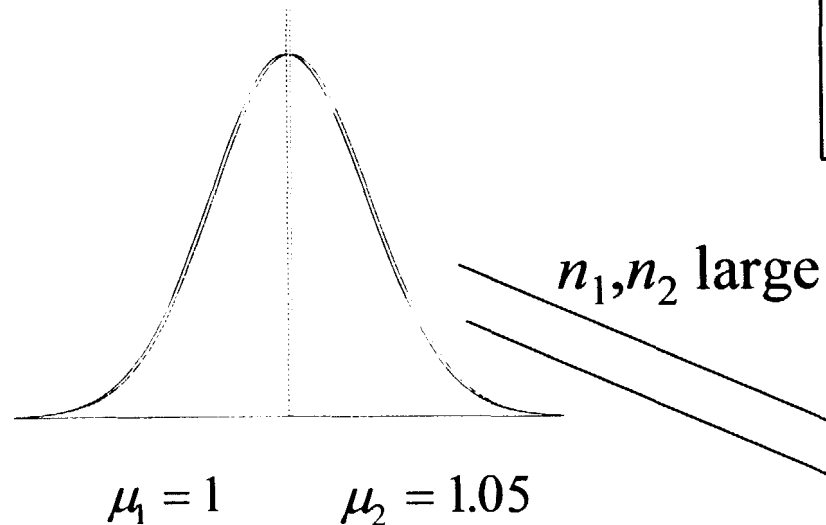


# Statistical Determination of Parity

- PARITY
  - Statistical Testing required to determine parity
    - Overall Test Statistic using the Truncated-Z Test for Rates and Proportions
    - Overall statistic using the Aggregated Adjusted-Z for Means and Averages
  - Balancing Critical Value
    - Computed to ensure Type I and Type II Errors are balanced
    - Used (with z-value) to assess the Magnitude of a Failure
- OVERALL TEST STATISTICS
  - Minimizes concern around random variation while not masking discrimination

# What About "Significance" ?

## 2 Normal Distributions



With large enough sample sizes, even tiny differences can be statistically significant.

## Distribution of $\bar{x}_1 - \bar{x}_2$

Example: Percent Missed Repair Appointments  
BST = 5% and CLEC 5.05%

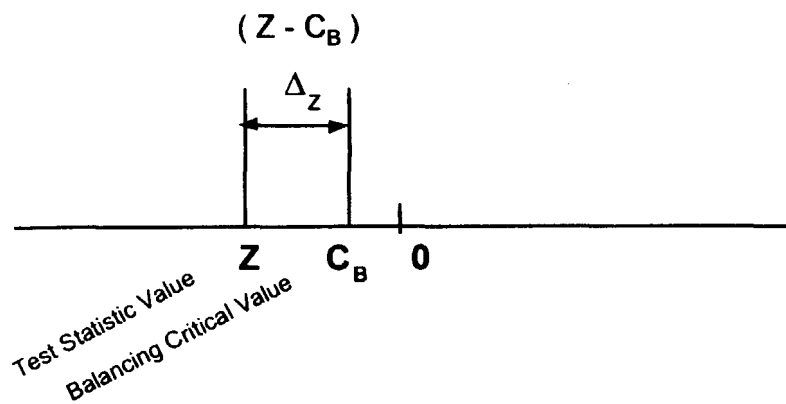
$$\mu_{\bar{x}_1 - \bar{x}_2} = -0.05$$

significant gap  $> 2\sigma_{\bar{x}_1 - \bar{x}_2}$

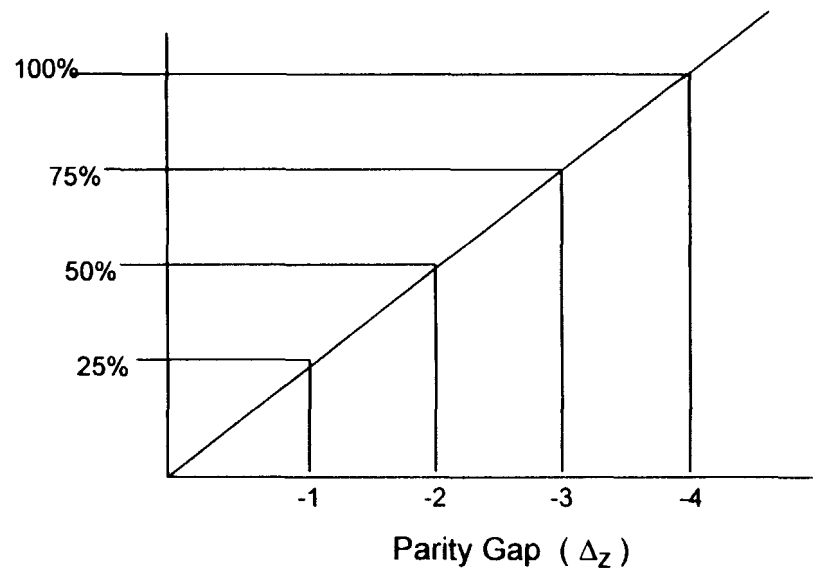
# Enforcement Mechanism

## Volume Payment Variables

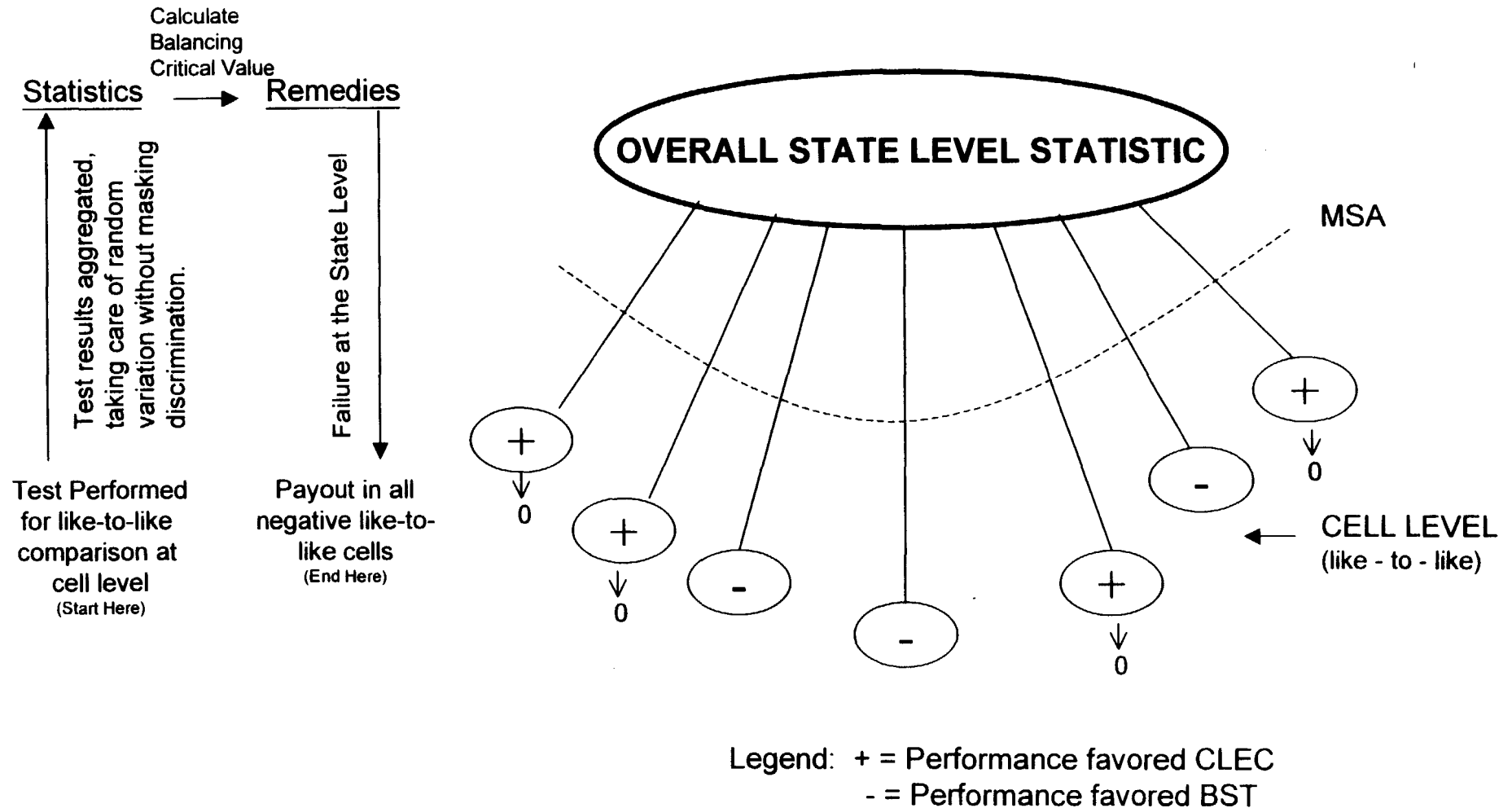
### Parity Gap



### Volume Proportion



# Remedy Payout Diagram



# Enforcement Mechanisms Proposal Fee Schedule

## Tier-1

PER ITEM PER CLEC

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Pre-Ordering	\$10	\$15	\$20	\$25	\$30	\$35
Ordering	\$40	\$50	\$60	\$70	\$80	\$90
Provisioning POTS	\$100	\$125	\$175	\$250	\$325	\$500
Provisioning UNE (incl Coordinated Customer Conversions)	\$400	\$450	\$500	\$550	\$650	\$800
Maintenance	\$100	\$125	\$175	\$250	\$325	\$500
Maintenance UNE	\$400	\$450	\$500	\$550	\$650	\$800
Billing	\$0.50	\$0.75	\$1	\$1.50	\$2	\$3
Trunk Blockage/100 calls	\$150	\$250	\$500	\$600	\$700	\$800
LNP	\$150	\$250	\$500	\$600	\$700	\$800
Collocation	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000

## Tier-2

PER ITEM

Pre-Ordering	\$20
Ordering	\$60
Provisioning POTS	\$300
Provisioning UNE	\$875
Maintenance POTS	\$300
Maintenance UNE	\$875
Billing	\$1
Trunk Blockage/100 calls	\$500
LNP	\$500
Collocation	\$15,000

December 3, 1999

BellSouth / FCC exparte

# Remedy State Caps (annual)

- (Tier-1 plus Tier-2 by state)

– AL	\$17M	MS	\$11M
– FL	\$56M	NC	\$23M
– GA	\$36M	SC	\$11M
– KY	\$10M	TN	\$23M
– LA	\$21M		

- Regional Total            \$208M

# Voluntary Self Enforcing Remedies

## Individual CLECs and CLEC industry

- Tier 1 (Liquidated Damages)
  - Monthly Assessment at State Level for Individual CLEC
    - State level evaluation is consistent with test statistic
    - State level evaluation takes 'random variation' into consideration
    - State level evaluation will not mask discrimination
  - Parity gap will result in payment to the CLEC operating in negative like-to-like cells (wire center/service)
- Tier 2 (Fines Paid to State)
  - Quarterly Assessment at State Level for CLEC Aggregate
- Tier 3 (suspension of LD authority)
  - Selected sub-measures (12) at the state level.
  - Triggered by repeated failures of the same 5 or more sub-measures for a quarter.